

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT

Docket No. R2017-1

NOTICE OF THE UNITED STATES POSTAL SERVICE
OF FILING OF USPS-LR-R2017-1/NP1
(October 12, 2016)

The Postal Service hereby gives notice of filing of the material indicated below in the **Non-Public Annex** in this proceeding:

USPS-LR-R2017-1/NP1

**FIRST-CLASS MAIL INTERNATIONAL
WORKPAPERS (NONPUBLIC)**

This material contains the workpapers that estimate the revenues for First-Class Mail International resulting from the price change for purposes of the cap calculation of the First-Class Mail class. The materials include commercially sensitive information, such as outbound and inbound country-specific volume and revenue data, certain non-published rates, and underlying calculations related to price adjustments. The files associated with these calculations are accordingly submitted in the nonpublic annex in this proceeding. The Postal Service incorporates by reference the application for non-public treatment, which is included as Attachment 1 with this filing.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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ATTACHMENT 1

APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NON-PUBLIC TREATMENT OF MATERIALS

In accordance with 39 C.F.R. § 3007.21, the United States Postal Service (Postal Service) hereby applies for non-public treatment of certain materials filed with the Commission in this docket. The materials covered by this application consist of the contents of Library Reference, USPS-LR-R2017-1/NP1, which includes two Excel files pertaining to First-Class Mail International.

The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3007.21(c) below.

(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);

The materials designated as non-public consist of information of a commercial nature that under good business practice would not be publicly disclosed. The Postal Service does not believe that any commercial enterprise would voluntarily publish information pertaining to country-specific volume and revenue data, non-published rates underlying calculations related to price adjustments, or inbound market dominant contracts for which rates are negotiated with other postal operators. Thus, in the Postal Service's view, this information would be exempt from mandatory disclosure pursuant to 39 U.S.C. § 410(c)(2) and 5 U.S.C. § 552(b)(3) and (4).¹ Because the portions of the

¹ In appropriate circumstances, the Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A). The Commission has indicated that "likely commercial injury" should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

materials that the Postal Service is filing under seal fall within the scope of information not required to be publicly disclosed, the Postal Service requests that the Commission support its determination that these materials are exempt from public disclosure and grant the Postal Service's application for their non-public treatment.

(2) Identification, including name, phone number, and email address for any third-party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;

The Postal Service believes that the third parties that have a proprietary interest in the materials submitted are postal operators whose governments are members of the UPU. The Postal Service recently provided notice to all foreign postal operators within the Universal Postal Union network, through an International Bureau Circular issued on January 18, 2016, that the Postal Service will be regularly submitting certain business information to the Commission. Some UPU-designated foreign postal operators may have a proprietary interest in such information. The circular includes information on how third parties may address any confidentiality concerns with the Commission. In addition, contact information for all UPU Designated Operators is available at the following link, which is incorporated by reference into the instant application:

http://pls.upu.int/pls/ap/addr_public.display_addr?p_language=AN.²

² To the extent required, the Postal Service seeks a waiver from having to provide each foreign postal operator notice of this docket. It is impractical to communicate with dozens of operators in multiple languages about this matter. Moreover, the volume of contracts would overwhelm both the Postal Service and the applicable foreign postal operators with boilerplate notices.

(3) A description of the materials claimed to be non-public in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are non-public;

In connection with its Notice filed in this docket, the Postal Service included Excel files, which include data underlying the proposed price changes for First-Class Mail International. These materials were filed under seal. The Postal Service maintains that the files should remain confidential.

The files protect commercially sensitive information such as country-specific inbound letter post and outbound First-Class Mail International revenue, volume and weight data and certain non-published rate information used to determine pricing.

(4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;

If the data that the Postal Service determined to be protected from disclosure because of their commercially sensitive nature were to be disclosed publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm. Information about any non-published pricing is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practices. Competitors could use the information to assess the rates charged by the Postal Service to foreign postal operators for any possible comparative vulnerabilities and focus sales and marketing efforts on those areas, to the detriment of the Postal Service.

The data also include specific information, such as country-specific letter post and First-Class Mail International revenue, volume and weight data and non-published rate information used to determine pricing. This information is confidential in the business world. Foreign postal operators or other potential customers could use this

information to their advantage in negotiating the terms of their own agreements with the Postal Service, for example by assessing the relative weight of their flows to or from the United States. Given that these spreadsheets are filed in their native format, the Postal Service's assessment is that the likelihood that the information would be used in this way is great.

Inbound volume and/or weight information included in the inbound Excel file also consists of sensitive commercial information of foreign postal operators. Disclosure of such information could be used by competitors of a postal operator to assess the operators' underlying market size and its costs, and thereby develop a benchmark for the development of a competitive alternative.

(5) At least one specific hypothetical, illustrative example of each alleged harm;

Harm: Public disclosure of information in USPS- LR-R2017-1/NP1 would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: Foreign postal operators see the information on the Commission's website. The operators could then use this information to their advantage in negotiating the terms of their own agreements with the Postal Service. Alternatively, a competing alternate delivery service obtains a copy of the Excel files from the Postal Regulatory Commission's website. It analyzes the data and then uses this information to set its prices for portions of the letter post market subject to competition.

Harm: Public disclosure of information in USPS- LR-R2017-1/NP1 would be used by a foreign postal operator's competitors to its detriment.

Hypothetical: A competing international delivery service obtains a copy of the inbound letter post Excel file from the Postal Regulatory Commission's website. The competitor

analyzes the data to assess a foreign postal operator's underlying costs and volumes for the corresponding products. The competitor uses that information to assess the market potential and negotiate with U.S. customs brokers and freight companies to develop lower-cost alternatives.

(6) The extent of protection from public disclosure deemed to be necessary;

The Postal Service maintains that the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the relevant market for international delivery products (including both private sector integrators and foreign postal operators), as well as their consultants and attorneys. Additionally, the Postal Service believes that foreign postal operators, as well as actual or potential customers of a postal operator for this or similar products should not be provided access to the non-public Excel worksheets.

(7) The length of time deemed necessary for the non-public materials to be protected from public disclosure with justification thereof; and

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30.

(8) Any other factors or reasons relevant to support the application.

Certain UPU letter post rates are not available publicly. Rather, they are circulated to postal operators and government ministries through UPU International Bureau circulars and accessible on a password-protected website. Hence, they are considered by the Postal Service to be commercially sensitive.

Conclusion

For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.